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C O N F I D E N T I A L SEOUL 001719

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SUBJECT: ROKG BIDDING ITS TIME ON SOUTH-NORTH RELATIONS

Classified By: POL M/C Joseph Yun. Reasons 1.4 (b/d).

SUMMARY

¶1. (C) -- Six months into the Lee Myung-bak Administration, the ROKG appears increasingly resigned to having no dialogue with North Korea this year, expecting the North to come to the table sometime in 2009.

-- Minister of Unification (MOU) Kim Ha-joong, who helped launch "Sunshine Policy," is determined that South-North relations be reframed on the basis of reciprocity and has gained President Lee Myung-bak's confidence, according to Blue House and MOU officials.

-- South-North relations have soured because of the DPRK's reaction to Lee's call for reciprocity and attention to denuclearization; the spate of hostile rhetoric and ad hominem attacks on Lee from the North that followed; the impasse following the July 11 Mt. Kumgang shooting of a South Korean tourist; and, more fundamentally, the North's insistence that discussions be based on the June 15, 2000 and October 4, 2007 summit agreements without regard for the 1991-1992 Basic and Denuclearization agreements.

END SUMMARY.

MOU MINISTER PATIENT, FOCUSED ON RECIPROCITY

¶2. (C) Minister of Unification Kim Ha-joong helped develop and implement Sunshine Policy when he was National Security Advisor (2000-2001) under then-President Kim Dae-jung. Kim believed in the initial intent of the policy, which was to begin transforming North Korea by reaching out, according to Yu Joon-ha, Assistant Secretary to the President for Unification Policy, but grew disenchanted when no changes in the North resulted, while the South continued to "beg" for more contact. Kim was now determined to change that approach.

¶3. (C) Yu said that Kim remains patient about resuming dialogue with the North, but at the same is totally focused on his portfolio: he works seven days a week, and told Yu that he prays two hours per day, including for the welfare of the North Korean people. Asked whether Kim's religious views meant that he saw North Korea's regime as too evil to negotiate with, Yu said that, on the contrary, Kim is ready to have pragmatic discussions with the North, and that Kim's religious leanings line up with President Lee's. Yu said

that when Lee took office, the MOU was sidelined (after being threatened with elimination) and MOFAT began playing a dominant role in inter-Korean policy. But Kim had now gained Lee's ear, gradually raising MOU's influence again.

14. (C) MOU and MOFAT officials echoed this description of a patient ROKG inter-Korean policy. MOFAT's North Korea Nuclear Policy Division Director Ham Sang-wook said on August 28 that there was "no rush" to reestablish contact with the North generally, though Nuclear Negotiation Division Director Kim Gunn said that Six-Party and energy discussions continue through the reliable Beijing channel (DPRK Embassy).

15. (C) MOU Policy Planning Officer Kim Jong-ro also used the term "no rush" in describing his Ministry's approach to North Korea. He and colleagues said that MOU is now busy on the policy analysis side, preparing for eventual discussions with the North, whereas last year at this time they were preparing full speed for the October 2007 summit between President Roh Moo-hyun and Kim Jong-il. Another MOU official, Director of Inter-Korean Social Exchanges and Cooperation Park Kwang-ho, told us that his office is busy rejecting requests from South Korean Democratic Party legislators, teacher's union members and other groups that want to travel to North Korea for the Arirang Festival, citing negative ROK public opinion as the justification.

NO DIALOGUE LIKELY THIS YEAR, BUT PROBABLY NEXT YEAR

16. (C) ROKG officials also cite negative public "emotion" toward the North, in the wake of the July 11 Mt. Kumgang shooting of a South Korean female tourist, as a reason for refusing, so far, the World Food Program's (WFP) appeal for food aid for the North. Yu cited MOU polling data (not published) indicating that only 40 percent of the public supported providing food aid to the North before the July 11 shooting, but that such support had dropped to 17 percent afterward. The left-leaning Hankyoreh newspaper has published three editorial in the past three months calling for aid through the WFP and a return to unconditional humanitarian aid directly to the North, arguing that it is unreasonable for the ROKG to insist on a request for food aid from the DPRK. But otherwise, even Hankyoreh's editorials generally support the ROKG's firm stance.

17. (C) Our assessment is that the ROKG would like to get past the Mt. Kumgang incident, rather than have it stand in the way of a resumption of dialogue, but both sides have dug in: the South insisting on an investigation of the death and the North not only rejecting that but calling on the South to apologize for allowing a tourist to stray. Hoona Kim, Deputy Director of MOU's Trade Support Division, who oversees the Mt. Kumgang tourism project, shook her head when asked on August 27 whether there was any movement on the case, saying that the North's insistence on an apology precluded any discussions. One possible way out is to have the two sides' Red Cross organizations open discussions, but Kim Jong-ro thought that the North would reject such an approach. Press reports on August 28 said that Hyundai Asan CEO Yoon Man-joon had resigned, perhaps because of his failure to make headway on the shooting during a July 12-14 visit to Pyongyang to discuss the case.

18. (C) Asked why the ROKG expects the DPRK to come to the table during 2009, Blue House official Yu reminded us that the past two ROK Administrations, Kim Dae-jung's and Roh Moo-hyun's, took about a year to start dialogue with the North, as both sides adjusted to the other. He added that the ROKG view is that the DPRK does not face a food emergency now, with the fall rice harvest expected to begin in September, but that 2009's food situation would likely be worse, because the DPRK had not received its customary 300,000-to-400,000 metric tons of fertilizer from the ROK. Yu also assessed that the DPRK is waiting for a new U.S. administration to take office, and react to North Korea, before deciding whether to engage with the ROKG.

GROUNDRULES FOR DISCUSSIONS NEEDED

¶9. (C) The South-North atmosphere is frosty because of the North's vehement rejection of Lee's "denuclearization, openness, USD 3000" proposal, the North's ad hominem attacks calling Lee a traitor and charlatan, and the unresolved Mt. Kumgang shooting. But neither side has tried to shut all the doors: the Kaesong Industrial Complex continues to operate, employs over 30,000 North Korean workers, a number that operating company Hyundai Asan told us could double by the end of the year, and daily tours to Kaesong City are continuing. Similarly, the DPRK continues to welcome ROK NGOs providing agricultural, medical and other assistance. The two sides will have to find a way to get past the Mt. Kumgang shooting and forget the North's hostile rhetoric before they sit down, but they have managed to overcome similar situations in the past. MOU officials believe that many DPRK officials formerly involved in South-North talks have been purged, after corruption or other charges, adding to the difficulty of resuming dialogue.

¶10. (C) President Lee Myung-bak has repeatedly signaled ROKG desire for reopening dialogue. In his August 15 National Day speech, he cited the "regrettable shooting death" at Mt. Kumgang but then immediately added, "Despite that, I have expectations that Pyongyang will come forward for comprehensive dialogue and economic cooperation because now is the most opportune time for the North to change." Let's get past this impasse, Lee seemed to be saying.

¶11. (C) The major impediment to the two sides agreeing to sit down is the status of past agreements. ROKG officials say that the ROKG is prepared to be flexible in discussions with the North, but is determined to uphold the principle that discussions be based on all four major past South-North agreements:

-- the "Agreement on Reconciliation, Nonaggression and Exchanges and Cooperation between South and North," which took effect in February 1992, commonly referred to as the "Basic Agreement";

-- the "Joint Declaration of the Denuclearization of the Korean Peninsula," article 1 of which says "The South and North shall not test, manufacture, produce, receive, possess, store, deploy or use nuclear weapons";

-- the June 2000 "South-North Joint Declaration"; and,

-- the October 2007 "DPRK-ROK Summit Joint Declaration."

¶12. (C) The DPRK, however, has called for only "fully implementing the June 15 (2000) joint declaration and the October 4 (2007) declaration." The June 2000 declaration in particular is praised as a "milestone for independent national reunification," implying that the DPRK sees it as grounds for rejecting U.S. involvement on the Peninsula. The October 2007 agreement, meanwhile, is clearly attractive to the DPRK because it contains 50-100 billion of dollars in economic projects, according to ROKG estimates. But the DPRK has never agreed to talk in detail about the Basic Agreement, which calls for exchanges and cooperation in various areas. More important, the DPRK rejects the Denuclearization agreement, bristling at any ROKG mention of the need to denuclearize. Getting past these fundamental disagreements will be a test of Lee's pragmatism. Beyond the substantive concerns, according to South Korean experts, Pyongyang has put the two recent agreements above all else because Kim Jong-il negotiated and concluded them; the earlier agreements were reached under the auspices of Kim Il-sung.

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